

Bus Franchising in Greater Manchester Assessment September 2019

**Operator Information
Supporting Paper**

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1 Purpose

- 1.1.1 As set out in section 1.74 of the Guidance, an authority developing an assessment of a proposed bus franchising scheme (“Assessment”) should gather robust information to inform the preparation of the Assessment. Some of this information would be obtained by exercising the statutory power set out in section 143A of the 2000 Act to require bus operators to supply various types of information which they hold (“Operator Information”), supplemented where necessary with other information available to the authority to ensure a strong evidence base.
- 1.1.2 TfGM have now undertaken a review of the Operator Information obtained. The function of this paper has been to review the use that has been made of the Operator Information disclosed to date and the justification for continuing to hold such information as the development of the proposed franchising scheme may be progressed further.

2 Considerations and approach

- 2.1.1 In obtaining Operator Information, the nature and amount of information that was sought was subject to the following considerations:
- The information must be ‘relevant’, as set out within the 2000 Act and the Franchising Schemes and Enhanced Partnership Plans and Schemes (Provision of Information) Regulations 2017 (“the Information Regulations”).
 - TfGM considered what type of information would be relevant for the purposes of carrying out not only the preparation of the assessment on behalf of the GMCA, but also the wider franchising functions of the GMCA under Part 2 of the 2000 Act. This led to the creation of 27 packages of information which TfGM sought from operators.
 - ‘Relevant’ information is not defined specifically in the 2000 Act. As a complement to GMCA's own considerations of this matter, clarification of what might be deemed relevant for some packages of information was provided by the Traffic Commissioner for the North West, which assisted with TfGM’s interpretation of what it was entitled to request on behalf of the GMCA and what operators were obliged to provide under the 2000 Act;
 - The requested information should not cover a period of more than five years prior to the request;
 - TfGM could not require the operator to produce new information or otherwise supply information it does not hold; and

- TfGM must have regard to the manner in which information is kept when considering whether it is reasonable to expect an operator to provide it.
- 2.1.2 In seeking Operator Information, TfGM took a pragmatic and proportionate approach to enable operators to comply with the obligations imposed on them by the 2000 Act. This included visiting some operators to discuss and/or help them collate the information sought or in cases where an operator informed TfGM that they did not have the information sought, considering and thereafter discussing what alternative information may be disclosed as appropriate. To ensure a proportionate approach was taken, TfGM also took into account:
- The size of the operator;
 - The nature of the services they operated in Greater Manchester (being the area considered in the Assessment);
 - Their own expertise, equipment and/or resources;
 - Whether information from other sources was available.
- 2.1.3 In addition, the information was sought in an electronic format and this was deemed appropriate in terms of complying with section 143A(6) of the 2000 Act and it being the format in which the operators were most likely to hold such information.
- 2.1.4 TfGM has concluded for the reasons set out below that it should continue to hold all the information it has obtained pending the development of the proposed franchising scheme and may need to retain such information under review as its work progresses (and as TfGM may be instructed to undertake further work in the future on behalf of the GMCA).
- 2.1.5 In order to obtain Operator Information, an initial information request was issued to bus operators on 10 July 2017 (“Statutory Request”). The Statutory Request was followed by a voluntary request dated 17 July 2017, which sought voluntary disclosure of additional information which was at that time outside the scope of section 143A of the 2000 Act but was in any event requested in anticipation of the introduction of the Information Regulations and the additional categories of information that would then come within scope of section 143A of the 2000 Act. Following this and upon the Information Regulations coming into force, a further statutory request for information was issued to bus operators on 20 December 2017 (“Regulations Request”). It should be noted that the information requested in the voluntary request was very similar to that later sought in the Regulations Request.

- 2.1.6 The Statutory Request covered 17 packages of information, which are listed in Appendix 1. The Regulations Request covered a further 10 packages of information, which are listed in Appendix 2.
- 2.1.7 Whilst all of these packages of information were considered by TfGM to be within the proper scope of section 143A of the 2000 Act and therefore relevant to the process of preparing its Assessment, in practice not every package of information was used to inform and/or been referenced in the Assessment. The fact that some of the packages have not been used in the Assessment could not have been foreseen at the time the information requests were made.
- 2.1.8 Instead, following a careful review of all the information obtained, it now seems likely that some of these packages may be used later to address any queries arising from or in connection with the Assessment (including but not limited to any queries arising during any statutory consultation undertaken in accordance with section 123E of the 2000 Act) or to prepare for the implementation of any proposed bus franchising scheme.
- 2.1.9 In summary, TfGM believes that all of the 27 packages of information sought from bus operators were relevant for the purposes of carrying out its functions at the time when the initial information requests were made and it was only subsequently that a view was formed that some of the material obtained would not need to be used in the Assessment. However, that view was itself based on a review of the material obtained and the work being undertaken by TfGM to prepare the Assessment.
- 2.1.10 The original deadlines set for operators to respond to the two statutory information requests were 22 August 2017 and 13 February 2018 respectively, although much of the information came in after these dates.

3 Summary of the use of Operator Information in the Assessment

- 3.1.1 Following collation of the Operator Information, decisions were taken as to how to use this information in order to ensure that the Assessment was robust, with regard to the requirements of the Act and the Guidance. In particular:
- 3.1.2 Some Operator Information was considered to be sufficiently complete and robust to be used in its entirety to fully inform an aspect of the Assessment.
- 3.1.3 Some Operator Information was insufficiently complete to fully inform an aspect of the Assessment. This was either because of the requirement for a period of information of longer than five years or because not all operators had been able to respond to the request, having regard to whether it would be reasonable to expect that operator to provide the

information in question. In these cases, TfGM sought to either supplement the gaps in information using other information held by TfGM or otherwise in the public domain, or to use the other information in preference to Operator Information where appropriate.

3.1.4 In other cases, the information that was obtained was not deemed to be relevant after it had been reviewed by TfGM, so TfGM sought to use other information held by TfGM or otherwise in the public domain.

3.1.5 Dealing with each of the five cases in the Assessment in turn, the use of information can be summarised as set out below:

- The nature of the Strategic Case is to examine trends in bus performance over a number of years, in conjunction with trends in other local variables, such as employment and population growth. Given the five year limit to the request and the nature of the data the use of Operator Information in isolation was generally not appropriate.
- However, to ensure that these data sources were robust, Operator Information was used to verify the information wherever appropriate. For example, mileage information was used to verify the longer time series of mileage information held by TfGM.
- The key information input to the Economic Case was demand data. A full dataset was not available through Operator Information, both because operators were not obliged to provide all of the information sought because of the 2000 Act and because not all operators were able to provide the information requested. In addition, some information held by TfGM through the Continuous Passenger Sampling (CPS) surveys was considered by TfGM to be more robust than Operator Information. Therefore, an approach was adopted that blended Operator Information and CPS data that reflected the relative strengths of each source, such that the resulting dataset was deemed robust.
- Further key information input to the Economic Case related to future year population, employment, car ownership and income projections. These were accessed from published sources, supplemented where appropriate with projections that are specific to Greater Manchester, so are considered robust.
- The key information input to the Commercial Case covers franchise design as it relates to the size (in vehicle numbers) of individual franchise tranches, current asset provision (i.e. depots,

fleet and systems), both in terms of the numbers of each asset and the residual value associated with each asset, and future asset provision, in relation to absolute numbers and the associated costs.

- Some of the assumptions concerning franchise design, such as fleet sizes, have been taken directly from Operator Information and have been used to validate other assumptions, to ensure those assumptions are considered to be robust. While some Operator Information was provided on current asset numbers, not all of this information was held by smaller operators, particularly in relation to systems, so TfGM's assumptions were used in preference, after being validated using Operator Information where appropriate.
- Some limited Operator Information was provided on the value of assets owned by larger operators, but in general, this information was not held by operators in a format that was sufficiently detailed to be useful for the assessment, so other information held by TfGM was used. Similarly, TfGM's own experience was used to inform projections of future asset provision and costs in order to respond explicitly to the nature of the franchise being designed and to ensure the robustness of the forecasting.
- The key information input to the Financial Case included revenue data, supply data (i.e. operated hours, operated miles and vehicle numbers) and unit costs (i.e. cost per hour, cost per mile and cost per vehicle). The majority of the revenue information for the larger operators was sourced from Operator Information, supplemented with other information where the revenue stream is under TfGM's control. Because not all smaller operators were able to provide the same level of information as larger operators, revenue information for these operators was supplemented using CPS data, to make sure the information used and analysis contained in the assessment were as robust as possible.
- Similarly, supply data and unit costs were generally obtained from larger operators, supplemented with other information held by TfGM for smaller operators, in order to ensure a more complete dataset that was deemed to be robust.
- The Management Case generally relates to the changes in staff requirement, processes and systems that the GMCA would require in order to manage a franchised bus operation and, as such, this information would not be expected to be obtained through Operator Information. However, while much of the

required information was developed by TfGM to respond explicitly to the nature of the franchising scheme being designed, this was still validated where appropriate using Operator Information, specifically in relation to business structures, employee numbers and staff salaries, in order to ensure that the information used was robust.

3.1.6 In summary, TfGM considers that the information used as summarised above is sufficient to inform its Assessment.

4 Operator Information analysis and use in the Assessment

4.1.1 All information received from operators was collected and is stored in a restricted access directory within TfGM's network. This meant that this information was kept separate from the other sources of information that TfGM was using to inform the Assessment. In addition to this, keeping information received from operators separate ensured that such information was only strictly used in accordance with Part 2 of the Act, rather than in connection with any other activities and/or functions of TfGM.

4.1.2 Having reviewed the information received by operators and the information available to TfGM from other sources, 17 of the 27 packages of information have been used to inform the Assessment. Further information about the same can be seen in the table below, which sets out the use of the information received from operators and the conclusions drawn in respect of each of the cases contained in the Assessment:

Case	Analysis	Use
Commercial	<p><u>Depot Capacity</u> The analysis focused on depot capacity at larger operator sites. In seeking information from operators, it was intended that information received from responses to Package 19 would be used to inform this analysis.</p>	<p><u>Depot Capacity</u> The information received from larger operators was very limited and was therefore not included in the Assessment. Instead PSV Operator Licence vehicle figures for each depot, which are publically available, were used.</p>
	<p><u>Depot Renewal Costs</u> The analysis focused on depot renewal costs at larger operator sites. In seeking information from operators, it was intended that information received from responses to Packages 18, 19 and 20 would be used to inform this analysis.</p>	<p><u>Depot Renewal Costs</u> The information from operators was found to be of insufficient detail to determine renewal costs as it was not broken down in sufficient detail but where it was, it appeared to show a low level of maintenance costs for depots. As a result of this, the information was not included in the Assessment and existing assumptions, which included higher maintenance costs, were included instead.</p>
	<p><u>Fleet Size and Systems</u> The analysis focused on the fleet sizes and suitability for the proposed RV mechanism, including a review of the features on the current fleet. This used information from responses to Package 25, which sought information on the number of vehicles currently equipped with equipment such as WiFi, Next Stop Displays, CCTV, AVL and radio.</p>	<p><u>Fleet Size and Systems</u> Use of fleet size is covered in section 3.5, page 5 above. Information from operators did not identify WiFi provision by geography and/or individual services. It is therefore not possible to confirm the extent of WiFi investment that would be required to ensure consistent provision across the current fleet but the assumptions in the Assessment is that as fleet is replaced, the provision of WiFi would increase. As a result of this, no change has been made to the assumptions contained in the Assessment.</p> <p>Information on the number of vehicles fitted with Next Stop Displays confirmed the current assumptions in the Assessment were accurate and should be retained.</p> <p>The information also indicated a very marginally lower proportion of CCTV deployment than assumed in the Assessment. The assumption contained in the Assessment is that CCTV deployment will increase in the near future as older fleet is replaced.</p> <p>The information also indicated a marginally lower proportion of AVL deployment than assumed in the Assessment. The difference is not significant and the assumption is that AVL deployment will increase in the near future as older fleet and other systems are replaced. The current assumptions have therefore been retained.</p>

Case	Analysis	Use
Economic	<p><u>Validation of Demand & Revenue Model</u> CPS data provided the basis for the representation of demand and on-bus revenue in the DRM but in seeking information from operators in Package 1, it was thought that such responses could allow improvements to be made to the CPS data.</p> <p>To determine off-bus revenue, it was intended that seeking information from operators through Packages 1, 9 and 11 would assist, as well as information from Package 12 which could be used to inform the split of demand and revenue inside and outside Greater Manchester.</p>	<p><u>Validation of Demand & Revenue Model</u> The DRM provides input to the Economic Case by forecasting how bus market and external changes affect demand and revenue in future years. Therefore, the combination of information received from Packages 1, 9 and 11 with CPS data has improved the accuracy of the forecasting process by strengthening the representation of base year demand and revenue in the model.</p>
Financial	<p><u>Revenue/Cost/EBIT</u> The analysis focused on the financial performance of different options and it was intended that seeking information from operators through Packages 1, 6, 9, 11, 12, 18, 19, 20 and 25 would be used to inform this analysis.</p>	<p><u>Revenue / Cost / EBIT</u> Information received from larger operators and for a selection of other operators was used to inform and subsequently support the assumptions made in this analysis. As well as this, information obtained by CPS data and publicly available information was used to inform this analysis.</p>
	<p><u>Unit Cost Rates</u> The analysis focused on unit cost rates between operators across various cost headings and verifying the same against the assumptions used in the Assessment. In seeking information from operators, it was intended that information received from Packages 18, 19 and 20 would be used to inform this analysis.</p>	<p><u>Unit Cost Rates</u> Having reviewed the information received from operators, a number of weaknesses and limitations in the information were identified:</p> <ul style="list-style-type: none"> - The derivation of rates is partly dependent upon non-financial network supply assumptions; - Deriving rates at an activity level is dependent on cost information being available in a disaggregate form, consistently categorised and allocated across operators. As the information was received from operators in different formats and to differing levels of quality, there are differing categorisations and levels of maturity across the information received. Deriving rates therefore required TfGM to make judgements and assumptions to allocate costs into a consistent form; - Information from smaller operators in particular had greater limitations due to the higher volume of individual submissions (with differing levels of comprehensiveness and allocation) and in some cases the apparent inclusion of information on cross boundary revenues and other 'non-local service' activity, such as private hire. <p>Differing rates were derived from the information received in terms of the costs for driver hours, live route KMs and the number of buses in the fleet.</p>

Case	Analysis	Use
	<p><u>Pensions</u> The analysis focused on reviewing the pension structures that exist within the Greater Manchester bus market and how such pension options could be impacted upon the introduction of a proposed bus franchising scheme or any of the other options included in the assessment. In seeking information from operators, it was intended that information received from Packages 15 and 22 would be used to inform the same.</p>	<p><u>Pensions</u> The information received from operators was used to inform this review and identify potential options for the provision of the required pension protection under franchising and helped identify whether defined benefit pension arrangements were open or closed to new entrants and future accrual and also helped to compare how the possible arrangements under franchising could compare to the other options.</p>
Management	<p><u>Commercial, Revenue Protection and Customer Service</u> The analysis reviewed information received from Package 13 and produced a summary of the following staff groups: Commercial (including Sales & Marketing), Revenue Protection and Customer Service.</p>	<p><u>Commercial, Revenue Protection and Customer Service</u> The information received from operators contained a mixture of organisation charts and employee headcounts by role. The headcounts also included some wider role groups, so estimates had to be made for one of the specific staff groups.</p> <p>The information received from the larger operators was deemed useful for this analysis, due to the size of their operations in Greater Manchester and their employee structure and resources. This information indicated that there are circa 20.5 roles, plus an estimate of at least two additional full time equivalents, currently provided by the three largest operators in the specific staffing groups. A slightly higher figure has been used in the Assessment.</p> <p>In addition to this, the information also contained detail as to the range of salaries paid for such staffing groups. This information was used in the Assessment to inform the average salaries paid for such staffing groups.</p>
Strategic	<p><u>Mileage</u> Package 12 sought information from operators on scheduled and operated mileage. In seeking this information, it was intended that such information would be used to verify the assumptions made by TfGM on mileage, some of which was informed by using other sources of information available to TfGM.</p>	<p><u>Mileage</u> The information received from operators on mileage was reviewed and used to verify the most accurate approach taken by TfGM to estimating mileage. It was decided that the 'Enhanced GIS 'method most closely matched the mileage information received and therefore this was chosen and used in the Assessment.</p>

5 Appendix

Appendix 1 – Packages 1 – 17

Package
1: ETM data
2: HOPS data
3: Passenger surveys
4: Period tickets
5: Fares and ticketing rules
6: Adult single and return fare tables
7: Any other single and return fare tables
8: Stages and stops
9: Period ticket revenue
10: Estimated fare evasion
11: Revenue (aggregated)
12: Scheduled and operated mileage
13: Employees
14: Wage structures
15: Pension schemes
16: Employment terms and conditions
17: Patronage and revenue forecasts

Appendix 2 – Packages 18-27

Package
18: Route profitability reports
19: Depot Profit and Loss (P+L) reports
20: Board-level Profit and Loss (P+L) reports
21: Driver training costs
22: Pension scheme costs
23: PVR by route
24: Vehicle hours
25: Fleet information
26: Fleet maintenance
27: Engineering spare ratio

